Email Body 9-27-2022

**The Return of the Bear Market, Will it Hibernate Soon?**

I hope you are all doing well as we officially move into the fall season. Children are back in school, people are going home and back into their work environments and the beaches here in San Diego are less crowded.

As the headline indicates the stock market has tumbled back close to its mid-June low pushing us back into bear market territory. The reason this volatility has occurred is that August inflation figures did not decline as expected and Federal Reserve Chairman, Jerome Powell, announced that the Fed was committed to raising interest rates as high as necessary to combat inflation. The specter of a Fed induced, business-style recession complete with rising unemployment and reduced private sector spending caused some to run for the exits.

The good news is that the Federal Reserve has also indicated that it would be comfortable with inflation trending toward its 2% target. The markets have taken this to mean that inflation does not have to reach 2% before the Fed stops raising interest rates. The question is at what level does inflation have to reach and how many months of decline in inflation before the Fed pauses further hikes. Unfortunately, we will have to wait and see how the Federal Reserve reacts to inflation and business activity data in the coming months. All eyes are on the Federal Reserve!

Current business activity is still positive but is slowing, particularly in real estate. Spending by the private sector is still increasing, reflecting the fact that cash reserves held are still at historic highs and that unemployment is still low. Consumer and business confidence is declining, and I expect to see publicly traded companies to release downward guidance on earnings expectations for the third quarter, largely due to the impact of the strong dollar on foreign earnings of the multi-national corporations.

I continue to recommend for long-term oriented investments, that you maintain your current allocation strategies if your risk profiles and time horizons remain long-term (i.e., 4-5 years or more).

Make sure that funds you know you will need in the short-term are safe to relatively safe from volatility and that your long-term oriented investments are well diversified and subject to risk and volatility levels you are able to be comfortable with. If you have any questions or concerns about these things, please call me to discuss them further.

I have attached two pieces (i.e., PDF’s) provided by AssetMark. The first entitled, The Bear Market is Back Will it Hibernate Soon, discusses the current state of the financial markets and the impact of the Federal Reserves actions. The second piece, Strategies for Surviving Today’s Bear Market, is a flyer inviting you to join in a webinar this Thursday at 10am to hear AssetMark’s top investment strategists’ thoughts about the current environment and to answer questions in a Q&A segment following the presentation. I encourage you to click on the “Register” button to sign up and receive an email with a link to the webinar. You do not need a camera on your computer to join.

I am always available to you via phone, zoom conference or in person. I look forward to talking with you over the next few weeks. If you have any questions or if we can be of any help, please do not hesitate to contact Linda or me.

*Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results.*

Christopher L. Phelps, CPA/PFS, CFP®, AIF®

Principal

Phone (858) 485-1919   Fax (858) 487-0355   [chrisp@financiallifeconcepts.com](mailto:chrisp@financiallifeconcepts.com)



16935 W. Bernardo Drive, Ste. 228, San Diego, CA 92127  [www.financiallifeconcepts.com](file:///C:\Users\chrisp_mhbfc.com\Desktop\Restore\Docs\Mass%20Client%20E-Mails\www.financiallifeconcepts.com)